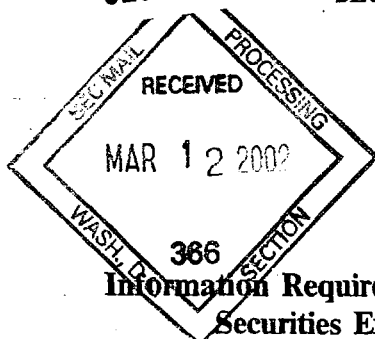




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UNITED STATES  
SECURITIES AND EXCHANGE COMMISSION  
Washington, D.C. 20549

ANNUAL AUDITED REPORT  
FORM X-17A-5  
PART III

At 3/20/2002

OMB APPROVAL	
OMB Number:	3235-0123
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Estimated average burden hours per response	... 12.00

SEC FILE NUMBER
8- 041331

FACING PAGE

Information Required of Brokers and Dealers Pursuant to Section 17 of the  
Securities Exchange Act of 1934 and Rule 17a-5 Thereunder

REPORT FOR THE PERIOD BEGINNING 01/01/01 AND ENDING 12/31/01  
MM/DD/YY MM/DD/YY

A. REGISTRANT IDENTIFICATION

NAME OF BROKER-DEALER: INDEPENDENCE CAPITAL CO., INC.

OFFICIAL USE ONLY
FIRM ID. NO.

ADDRESS OF PRINCIPAL PLACE OF BUSINESS: (Do not use P.O. Box No.)

6594 BRECKSVILLE ROAD

(No. and Street)

INDEPENDENCE

OHIO

44131

(City)

(State)

(Zip Code)

NAME AND TELEPHONE NUMBER OF PERSON TO CONTACT IN REGARD TO THIS REPORT

ROBERT CAMPANELLA

(216) 642-1111

(Area Code — Telephone No.)

B. ACCOUNTANT IDENTIFICATION

INDEPENDENT PUBLIC ACCOUNTANT whose opinion is contained in this Report\*

MCCURDY & ASSOCIATES CPA'S, INC.

(Name — if individual, state last, first, middle name)

27955 CLEMENS ROAD

WESTLAKE

OHIO

44145

(Address)

(City)

(State)

Zip Code)

CHECK ONE:

- ☒ Certified Public Accountant  
☐ Public Accountant  
☐ Accountant not resident in United States or any of its possessions.

PROCESSED  
MAR 28 2002  
THOMSON  
FINANCIAL

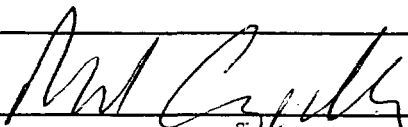
FOR OFFICIAL USE ONLY

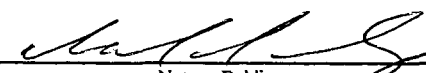
\*Claims for exemption from the requirement that the annual report be covered by the opinion of an independent public accountant must be supported by a statement of facts and circumstances relied on as the basis for the exemption. See section 240.17a-5(e)(2).

## OATH OR AFFIRMATION

I, ROBERT CAMPANELLA, swear (or affirm) that, to the best of my knowledge and belief the accompanying financial statement and supporting schedules pertaining to the firm of INDEPENDENCE CAPITAL CO., INC., as of DECEMBER 31, ~~19~~2001, are true and correct. I further swear (or affirm) that neither the company nor any partner, proprietor, principal officer or director has any proprietary interest in any account classified solely as that of a customer, except as follows:

No exceptions

  
\_\_\_\_\_  
Signature  
\_\_\_\_\_  
President  
\_\_\_\_\_  
Title

  
\_\_\_\_\_  
Notary Public  
DONALD S. SAWYER  
Notary Public for the State of Ohio  
My Commission Expires November 25, 2006

This report\*\* contains (check all applicable boxes):

- ☒ (a) Facing page.
- ☒ (b) Statement of Financial Condition.
- ☒ (c) Statement of Income (Loss).
- ☒ (d) Statement of Changes in Financial Condition.
- ☒ (e) Statement of Changes in Stockholders' Equity or Partners' or Sole Proprietor's Capital.
- ☐ (f) Statement of Changes in Liabilities Subordinated to Claims of Creditors.
- ☒ (g) Computation of Net Capital
- ☒ (h) Computation for Determination of Reserve Requirements Pursuant to Rule 15c3-3.
- ☒ (i) Information Relating to the Possession or control Requirements Under Rule 15c3-3.
- ☐ (j) A Reconciliation, including appropriate explanation, of the Computation of Net Capital Under Rule 15c3-1 and the Computation for Determination of the Reserve Requirements Under Exhibit A of Rule 15c3-3.
- ☐ (k) A Reconciliation between the audited and unaudited Statements of Financial Condition with respect to methods of consolidation.
- ☒ (l) An Oath or Affirmation.
- ☐ (m) A copy of the SIPC Supplemental Report.
- ☐ (n) A report describing any material inadequacies found to exist or found to have existed since the date of the previous audit.

\*\*For conditions of confidential treatment of certain portions of this filing, see section 240.17a-5(e)(3).

Financial Statements  
and Additional Information

**Independence Capital Co., Inc.**

For the Year Ended December 31, 2001  
With Report of Independent Auditors

# **Independence Capital Co., Inc.**

## **Financial Statements and Additional Information**

**For the Year Ended December 31, 2001**

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McCurdy  
& Associates  
CPA's, Inc.

27955 Clemens Road  
Westlake, Ohio 44145-1121  
Phone: (440) 835-8500  
Fax: (440) 835-1093

## Report of Independent Auditors

To The Board of Directors  
Independence Capital Co., Inc.

We have audited the accompanying statement of financial condition of Independence Capital Co., Inc., an S corporation, as of December 31, 2001, and the related statement of income, stockholder's equity and cash flows for the year then ended. These financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Independence Capital Co., Inc. as of December 31, 2001, and the results of its operations and its cash flows for the year then ended in conformity with accounting principles generally accepted in the United States of America.

Our audit was conducted for the purpose of forming an opinion on the basic financial statements, taken as a whole. The information contained in Schedules I and II is presented for purposes of additional analysis and is not a required part of the basic financial statements, but is supplementary information required by Rule 17a-5 of the Securities and Exchange Commission. Such information has been subjected to the auditing procedures applied in our audit of the basic financial statements and, in our opinion, is fairly stated in all material respects in relation to the basic financial statements taken as a whole.

*McCurdy & Associates CPA's, Inc.*

McCurdy & Associates CPA's, Inc.  
Westlake, Ohio  
January 23, 2002

# **Independence Capital Co., Inc.**

## **Statement of Financial Condition**

December 31, 2001

### **Assets**

#### **Current assets**

Cash	\$ 54,266
Commissions receivable	19,845
Prepaid expenses	<u>1,642</u>

Total current assets 75,753

Long-term investments 46,385

Office equipment, net of accumulated  
depreciation of \$6,890 3,839

Goodwill 9,460

Total assets \$135,437

### **Liabilities and stockholder's equity**

#### **Current liabilities**

Commissions and accounts payable	\$ 10,437
Accrued payroll taxes	1,027
Accrued pension	<u>265</u>

Total current liabilities 11,729

#### **Stockholder's equity**

Common stock-No par value, 750 shares authorized, 100 shares issued and outstanding	500
Additional paid-in capital	56,866
Retained earnings	<u>66,342</u>
Total stockholder's equity	<u>123,708</u>

Total liabilities and stockholder's equity \$135,437

The accompanying notes are an integral  
part of these financial statements

# Independence Capital Co., Inc.

## Statement of Income

For The Year Ended December 31, 2001

### Revenues

Commissions-registered representatives	\$367,284
Commissions-house account	83,835
Unrealized loss on securities	(684)
Dividends and interest	7,429
Other income	<u>800</u>
	458,664

### Expenses

Commissions, salaries and payroll taxes	366,941
Professional fees	21,459
Insurance	13,437
Rent and utilities	10,881
Fees and registrations	9,922
Depreciation	1,652
Other expenses	<u>55,580</u>
	<u>479,872</u>

Income (Loss) before income taxes (21,208)

Provision for income taxes 0

Net Loss (\$ 21,208)

The accompanying notes are an integral  
part of these financial statements

# Independence Capital Co., Inc.

## Statement of Stockholder's Equity

For The Year Ended December 31, 2001

	Common <u>Stock</u>	Additional Paid-In <u>Capital</u>	Retained <u>Earnings</u>	<u>Total</u>
Beginning Balance	\$500	\$35,866	\$89,550	\$ 125,916
Net loss	-	-	(21,208)	(21,208)
Contributions	-	21,000	-	21,000
Distributions	<u>-</u>	<u>-</u>	( 2,000)	( 2,000)
Ending Balance	<u>\$500</u>	<u>\$56,866</u>	<u>\$66,342</u>	<u>\$123,708</u>

The accompanying notes are an integral  
part of these financial statements



# **Independence Capital Co., Inc.**

## **Statement of Cash Flows**

**For The Year Ended December 31, 2001**

### **Cash flows from operating activities**

Net loss	(\$ 21,208)
Adjustments to reconcile net income to net cash provided by operating activities:	
Depreciation	1,652
Unrealized depreciation of investments	684
Changes in:	
Commissions receivable	49,368
Prepaid expenses	9,642
Commissions and accounts payable	(41,483)
Accrued payroll taxes	(273)
Accrued pension	<u>(108)</u>
Net cash (used) provided by operating activities	(1,726)

### **Cash flows from investing activities**

Cost of purchased investments	(875)
Purchase of furniture and fixtures	<u>(2,500)</u>
Net cash (used) provided by investing activities	(3,375)

### **Cash flows from financing activities**

Additional paid in capital	21,000
Distributions to shareholders	<u>(2,000)</u>
Net cash (used) provided by financing activities	19,000

Net increase (decrease) in cash	<u>13,899</u>
---------------------------------	---------------

Cash at beginning of year	<u>40,367</u>
---------------------------	---------------

Cash at end of year	<u><u>\$ 54,266</u></u>
---------------------	-------------------------

The company paid \$710 in income taxes and \$217 interest during 2001.

The accompanying notes are an integral  
part of these financial statements

# Independence Capital Co., Inc.

## Notes to Financial Statements

For The Year Ended December 31, 2001

### **NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

#### Business

Independence Capital Co., Inc. was incorporated on March 20, 1989 in the State of Ohio for the purpose of acting as a securities broker/dealer. The financial statements have been prepared in conformity with generally accepted accounting principles.

The presentation of financial statements in conformity with accounting principles generally accepted in the United State of America requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

#### Restricted Cash

The company has \$30,000 on deposit with Fiserv Securities, Inc. pursuant to its clearing agreement.

#### Cash and Cash Equivalents

The company considers cash on deposit and money market funds to be cash. The funds are highly liquid and readily accessible by the company.

#### Investment in Securities

Marketable securities are carried at market value. The resulting difference between cost and market value is included in income. Security transactions are recorded on a settlement date basis. Realized gains or losses are calculated using the specific identification method. Investments at December 31, 2001 consist of the following:

	<u>Cost</u>	<u>Market Value</u>
Common stock	\$20,225	\$15,085
Warrants	<u>31,300</u>	<u>31,300</u>
Total	<u>\$51,525</u>	<u>\$46,385</u>

Unrealized loss on investments of \$684 is reported in the Statement of Income.

#### Depreciation

The company uses the accelerated cost recovery method of depreciation for both financial and tax reporting purposes. The difference between straight line and the accelerated depreciation method is not material to the financial statements taken as a whole.

# **Independence Capital Co., Inc.**

## **Notes to Financial Statements (Cont'd)**

**For The Year Ended December 31, 2001**

### **NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (cont.)**

#### **Income Taxes**

As of January 1, 1991, the company elected to be taxed under the provisions of Subchapter S of the Internal Revenue Code and is not subject to federal or state income taxes which are the responsibility of the stockholders.

### **NOTE B - NET CAPITAL REQUIREMENTS**

The company is subject to the Securities and Exchange Commission (SEC) uniform net capital rule (Rule 15c3-1) which requires the maintenance of minimum net capital and requires that the ratio of aggregate indebtedness to net capital, both as defined, shall not exceed 15 to 1. At December 31, 2001, the company had net capital of \$65,813 which was \$15,813 in excess of its required net capital of \$50,000. The company's net capital ratio was .18 to 1.

### **NOTE C - PENSION PLAN**

The company maintains a discretionary benefit plan covering substantially all its employees. Contributions are determined as a percentage of each covered employee's salary. There was no contribution to the plan for the year ended December 31, 2001.

### **NOTE D - LEASES**

The company leases its main office for \$716 per month from an unrelated party pursuant to a month-to-month operating lease. Rent expense was \$8,592 in 2001.

### **NOTE E - RELATED PARTY TRANSACTIONS**

The company has retained the certified public accounting firm of a 50% owner to provide administrative, accounting, and monthly compilation services at the rate of \$1,350 per month. Payments for these professional services amounted to \$15,950 for 2001.

Additional Information

**Independence Capital Co., Inc.****Computation of Net Capital**

December 31, 2001

**Computation of net capital**

Total stockholder's equity	\$123,708
Deductions and charges:	
Non allowable assets:	
Prepaid expenses	1,642
Office equipment, net	3,839
Accounts receivables – house 12b(1) fees	3,866
Goodwill	<u>9,460</u>
Net capital before haircuts on security positions	104,901
Haircuts on securities:	<u>39,088</u>
Net capital	<u><u>\$65,813</u></u>

**Computation of basic net capital requirement**

Net capital requirement (6 2/3% of aggregate indebtedness)-rounded to 6.67%	<u>\$ 782</u>
Minimum dollar requirement	<u>\$50,000</u>
Excess net capital	<u><u>\$15,813</u></u>
Excess net capital at 1,000% (net capital less 10% of aggregate indebtedness)	<u><u>\$64,640</u></u>

**Computation of aggregate indebtedness**

Total liabilities	<u>\$ 11,729</u>
Ratio of aggregate indebtedness to net capital	<u><u>.18 to 1</u></u>

**Independence Capital Co., Inc.**

Statement Pursuant to Rule 17a-5(d)(4)

December 31, 2001

A reconciliation of the computation of net capital under Rule 15c3-1 as included in the company's unaudited Form X-17a-5 as of December 31, 2001 filed with the Securities and Exchange Commission and the amount included in the accompanying Schedule I computation is as follows:

	December 31, <u>2001</u>
Net capital, as reported in company's form X-17a-5, Part IIA	\$65,816
Net audit adjustments	<u>(3)</u>
Net capital, as reported in Schedule I	<u>\$65,813</u>

Inasmuch as Independence Capital Co., Inc. is operating as a fully-disclosed broker/dealer and does not carry customer accounts, the following supporting schedules are not applicable:

- A. Computation for determination of the reserve requirements under Exhibit A of Rule 15c3-3.
- B. Information relating to the possession or control requirements under Rule 15c3-3.



McCurdy  
& Associates  
CPA's, Inc.

27955 Clemens Road  
Westlake, Ohio 44145-1121  
Phone: (440) 835-8500  
Fax: (440) 835-1093

## Independent Auditors' Supplementary Report on Internal Control

The Board of Directors  
Independence Capital Co., Inc.

In planning and performing our audit of the financial statements of Independence Capital Co., Inc. for the year ended December 31, 2001, we considered its internal control, including control activities for safeguarding securities, in order to determine our auditing procedures for the purpose of expressing our opinion on the financial statements and not to provide assurance on internal control.

Also, as required by rule 17a-5(g)(1) of the Securities and Exchange Commission (SEC), we have made a study of the practices and procedures followed by the Company including tests of such practices and procedures that we considered relevant to the objectives stated in rule 17a-5(g) in making the periodic computations of aggregate indebtedness and net capital under rule 17a-3(a)(11) and for determining compliance with the exemptive provisions of Rule 15c3-3. Because the Company does not carry securities accounts for customers or perform custodial functions relating to customer securities, we did not review the practices and procedures followed by the Company in any of the following:

1. Making quarterly securities examinations, counts, verifications and comparisons
2. Recordation of differences required by rule 17a-13
3. Complying with the requirements for prompt payment for securities under Section 8 of Federal Reserve Regulation T of the Board of Governors of the Federal Reserve System

The management of the Company is responsible for establishing and maintaining internal control and the practices and procedures referred to in the preceding paragraph. In fulfilling this responsibility, estimates and judgments by management are required to assess the expected benefits and related costs of controls and of the practices and procedures referred to in the preceding paragraph and to assess whether those practices and procedures can be expected to achieve the SEC's above-mentioned objectives. Two of the objectives of internal control and the practices and procedures are to provide management with reasonable but not absolute assurance that assets for which the Company has responsibility are safeguarded against loss from unauthorized use or disposition and that transactions are executed in accordance with management's authorization and

recorded properly to permit the preparation of financial statements in conformity with generally accepted accounting principles. Rule 17a-5(g) lists additional objectives of the practices and procedures listed in the preceding paragraph.

Because of inherent limitations in internal control or the practices and procedures referred to above, error or fraud may occur and not be detected. Also, projection of any evaluation of them to future periods is subject to the risk that they may become inadequate because of changes in conditions or that the effectiveness of their design and operation may deteriorate.

Our consideration of internal control would not necessarily disclose all matters in internal control that might be material weaknesses under standards established by the American Institute of Certified Public Accountants. A material weakness is a condition in which the design or operation of the specific internal control components does not reduce to a relatively low level the risk that error or fraud in amounts that would be material in relation to the financial statements being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. However, we noted no matters involving internal control, including control activities for safeguarding securities, that we consider to be material weaknesses as defined above.

We understand that practices and procedures that accomplish the objectives referred to in the second paragraph of this report are considered by the SEC to be adequate for its purposes in accordance with the Securities Exchange Act of 1934 and related regulations, and that practices and procedures that do not accomplish such objectives in all material respects indicate a material inadequacy for such purposes. Based on this understanding and on our study, we believe that the Company's practices and procedures were adequate at December 31, 2001, to meet the SEC's objectives.

This report is intended solely for the information and use of the Board of Directors, management, the Securities and Exchange Commission, the National Association of Securities Dealers and other regulatory agencies that rely on Rule 17a-5(g) under the Securities Exchange Act of 1934 in their regulation of registered brokers and dealers, and is not intended to be and should not be used by anyone other than these specified parties.

*McCurdy & Associates CPA's, Inc.*

McCurdy & Associates CPA's, Inc.  
Westlake, Ohio  
January 23, 2002